GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1875
ANSWERED ON:09.03.2001
CORPORATE DEBT RESTRCUTURING REFORMS
AMBATI BRAHMANAIAH

Will the Minister of FINANCE be pleased to state:

(a) whether nationalized banks and financial institutions have agreed to form a corporate-debt restructuring cell to coordinate all defaulters` accounts;

(b) whether the cell would function as a consortium of banks dealing with NPAs;

(c) if so, the details thereof ; and

(d) to what extent it is likely to help in minimizing the NPA?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL)

(a): Public Sector Banks and Financial Institutions have agreed to set up a frame work for restructuring of corporate debts of viable entities facing problems, outside the legal process.

(b) & (c): The Corporate Debt Restructuring (CDR) framework would have CDR Standing Forum a representative body of banks and financial institutions participating in the CDR System. The forum will lay down policies, guidelines, and monitor the progress of CDR. It will also provide an official platform for both creditors and borrowers to amicably and collectively evolve policies and guidelines for working out debt restructuring plans in the interests of all concerned.

(d) The CDR process would assist viable corporate units facing temporary cash flow, problems on account of internal or external factors beyond their control. The CDR mechanism is expected to arrest generation of fresh NPAs by assisting potentially sick companies and would help in financial rehabilitation of sick companies.